



Date: January 18, 2022

To: Wanda S. Page, City Manager
Through: John J. Scott, Interim Human Resources Director
From: Alethea Hardy, Human Resources Manager
Subject: Police and Fire Compensation Plans Adjustment

Executive Summary

The City of Durham strives to provide equitable and competitive compensation in its efforts to attract, retain, develop and reward our employee workforce. The City of Durham's Police and Fire Compensation Plans currently lag our market. In August 2021, Human Resources conducted a salary survey to collect data and found the City of Durham's Police and Fire salary structures are lagging the market by overall percentages of 12.4% and 10.4% respectively. Human Resources collected data on all ranks within the two plans to inform this recommendation on appropriate salary structure adjustments.

This agenda item recommends adoption of adjustments to the Police and Fire Compensation Plans as represented in the salary structures attached to this agenda item (Attachment 1 – Current and Proposed Police and Fire Compensation Plans). Implementation of these adjusted salary structures is recommended to be effective January 18, 2022.

Motion

To receive a presentation on the Police and Fire Compensation Plans Adjustment; and

To authorize the City Manager to amend the Police and Fire Compensation Plans, applying market adjustments to the salary structures, effective January 18, 2022.

Background

The City of Durham currently employs 855 sworn fulltime employees across 20 jobs representing all ranks within the Police and Fire Classification Plans. Each job is assigned to a pay grade which supports the salary for their rank in the Police Compensation Plan or Fire Compensation Plan. These salary structures are step plans, meaning each pay grade is built from a minimum pay rate to a maximum pay rate, with incremental salary rates or "pay steps" progressing from the minimum to maximum salary paid for the job. One way to visualize how this type of pay grade is built is to envision a stairway, with the bottom step of the stairway as the minimum of the pay grade and the top landing as the maximum of the pay grade. Between each of those points in the stairwell are the incremental increases along which an employee's salary climbs during their career in that job. When the City of Durham applies a salary structure adjustment to the Police or Fire Compensation Plans, this increases the pay rate associated with each pay step in the plan. When the pay rate for the step is increased, any employee assigned to that step receives that same salary adjustment in order to remain on that step. This type of salary increase for the employee is termed a market adjustment.

Pay steps within the Police and Fire pay grades are set at 5% increments. Normally, each fiscal year an employee moves from their current pay step to the next higher pay step with a 5%

increase associated with an effective or higher performance rating on the employee's anniversary date. Pandemic related budgetary constraints did not allow for a pay step, merit-based increase during FY20 or FY21. However, lump sum merit bonuses were awarded to employees in FY21.

During the FY21 budget process, Human Resources recommended and gained approval for a salary structure adjustment of 4% to the Police Compensation Plan and an adjustment of 3.5% to the Fire Compensation Plan. This adjustment was made to regain some competitive market position, with the knowledge that further adjustments were needed as soon as budgetarily feasible. With these structure adjustments, a 4% (Police) and 3.5% (Fire) market adjustment for all sworn employees was awarded in July 2021. If the currently recommended salary structure adjustments are approved for January 18, 2022, all sworn employees will receive a market adjustment equivalent to the amount by which their pay step is adjusted.

The City of Durham's established Police and Fire pay philosophy is to build the compensation plans by using data collected to determine 100% of the average market minimums, then creating a salary structure based on market data and internal equity alignment of Durham's public safety jobs. With this philosophy, the City of Durham targets the market average minimum pay. The City of Durham's market for Police and Fire job compensation includes the following municipalities:

Raleigh	Greensboro	Winston-Salem	Fayetteville
Chapel Hill	Charlotte	Wilmington	Cary
Wake Forest	Morrisville	Apex	Richmond
Norfolk			

In applying the recommended adjustments using the most recent market data gathered, the City of Durham will enhance our market position.

Issues and Analysis

The salary structure adjustment recommendations in this agenda item are based on market data collected and analyzed. This survey was conducted in August 2021 to determine the City of Durham's compensation position against the defined public safety market including the 13 municipalities noted within the background information above.

The methodology used to adjust the structures was based on the analysis of market lag. The salary structures were adjusted by applying a market percentage adjustment to each rank's current minimum pay rate and subsequently building out the 5% pay steps incrementally, with an eye to market on the maximums as well, in order to update the full pay range for each job. Analysis also included examining the differentials between the ranks, meaning the percentage spread between a rank's minimum pay relative to the next higher rank's minimum pay. This aspect of the pay structure was analyzed to ensure recognition of the hierarchy of each rank's increasingly responsible duties and requirements, thereby supporting an equitable classification and compensation alignment between these public safety jobs.

The objective in adopting these adjusted salary structures is to establish a more competitive compensation plan, to enhance recruitment and retention and reduce turnover of employees in whom heavy training and compensation investments are made. As of November 2021, turnover in

Police Recruits has increased from 43.3% to 55.6% over the previous 12-month period. Police Officer turnover has increased from 10% to 16% over the same period. Fire Recruit turnover is currently 10.9%. Firefighter turnover has increased from 3.4% to 8.1%.

The cost of attrition per trained Police Recruit is approximately \$108,258. The cost of attrition per trained Fire Recruit is approximately \$71,628. These costs include the recruit's salary and benefits for 18 months in police and 12 months in fire, instructor costs, hiring bonuses (police) and equipment that must be individually assigned that is not recoverable. Reducing turnover by implementing these adjusted Police and Fire Compensation Plans is expected to preserve these significant training investments.

If approved, the salary adjustments impacting Police and Fire sworn salaries will be applied to all sworn employees' paychecks on January 28, 2022.

Alternatives

The City of Durham could decide to maintain the current public safety salary structures without adjustment. However, Human Resources predicts increased difficulty in recruitment along with a potential for increased attrition, resulting in an impact on operations which could be detrimental to service delivery and community safety.

Financial Impact

Based on the recommendation, the FY21 financial impact of the midyear implementation is estimated to be \$4,007,034, including base salary increases and associated benefits.

Equal Business Opportunity Summary

Due to the nature of this agenda item, an Equal Business Opportunity Summary is not applicable.

Contractor Workforce Diversity & Hiring Practices

Due to the nature of this agenda item, obtaining Contractor Workforce Diversity & Hiring Practices information is not applicable.

Attachments

Attachment 1 - Current and Proposed Police and Fire Compensation Plans

Attachment 2 – Police and Fire Pay Plans Presentation